
HEALTH AND HUMAN SERVICES

Department of Health Services

Medi-Cal

The Governor's Budget proposes \$24.7 billion (\$7 billion General Fund) for the Medi-Cal program in 2003-04, a General Fund decrease of 28.9 percent below the 2002 Budget Act. The General Fund decrease is mainly due to the Administration's realignment of \$3 billion in Medi-Cal expenditures to the counties.

Since 1998-99, Medi-Cal beneficiaries have increased from 5 million eligibles to nearly 6.3 million eligibles projected for 2003-04, an increase of 1.3 million beneficiaries.

2003-04 Eligibility Expansions for Children

The Administration continues to demonstrate its commitment to maximizing health care coverage for uninsured children by implementing two expansions that will greatly facilitate their enrollment into Medi-Cal. This streamlining of enrollment, referred to as Express Lane eligibility, will link Medi-Cal eligibility with that of other public programs that serve low-income individuals.



- ◆ **Eligibility for Children Receiving Free School Lunches—**Chapter 894, Statutes of 2001 (AB 59), will facilitate enrollment into Medi-Cal for uninsured school children by linking Medi-Cal eligibility with free school lunch eligibility. This expansion will result in 5,850 additional children receiving Medi-Cal coverage in 2003-04. The Budget provides \$4.3 million (\$2.1 million State funding) to support this expansion.
- ◆ **Facilitating Medi-Cal Enrollment and Eligibility for Persons Receiving Food Stamps—**Chapter 897, Statutes of 2001 (AB 493), facilitates the enrollment of low-income, uninsured families in the Medi-Cal program by linking Medi-Cal eligibility with the Food Stamp Program. This linkage of food stamp eligibility with the Medi-Cal program will result in an additional 11,000 parents and children receiving Medi-Cal coverage in 2003-04. The Budget provides \$8.5 million (\$4.2 million General Fund) to support this expansion.

Continued Support of Health Care for Children

The Budget includes proposals to continue recent program expansions, known as Continuous Eligibility for Children and Accelerated Enrollment for Children, and to implement a gateway into Medi-Cal and the Healthy Families Program (HFP) through the Child Health and Disability Prevention (CHDP) program, as follows:

- ◆ **Continuous Eligibility for Children—**Chapter 945, Statutes of 2000 (AB 2900) provides 12-month continuing Medi-Cal eligibility to children 19 years of age and younger. The 2003-04 Budget includes a total of \$486.6 million (\$243.3 million General Fund) to provide continuous



Medi-Cal eligibility for an estimated 471,500 children. Since 2000-01, the Administration has provided a total of \$1.3 billion (\$638.9 million General Fund) to support this expansion.

- ◆ **Accelerated Enrollment: Single Point-of-Entry**—The Accelerated Enrollment Program, implemented July 1, 2002, enables the Department of Health Services (DHS) to temporarily enroll children under the age of 19 into the Medi-Cal program. These children are entitled to temporary, fee-for-service, full-scope, no-cost Medi-Cal while the county welfare department makes a final determination regarding their eligibility for Medi-Cal. Approximately 67,700 children are expected to receive Medi-Cal benefits.
- ◆ **CHDP Program Gateway to Medi-Cal**—The CHDP program currently provides health assessments to approximately 1.1 million children each year. The 2003-04 Budget proposes to provide the use of the CHDP program as a gateway to streamline enrollment into Medi-Cal or the HFP. Under this plan, pre-enrolled children will be immediately eligible, for up to two months, for a CHDP health assessment and for comprehensive medical care provided through Medi-Cal or the HFP. The Budget includes funding of \$283.9 million (\$137.1 million General Fund) for the Gateway program. The Budget also includes reduced funding for the CHDP program (\$80.6 million General Fund), for a net funding increase of \$56.5 million General Fund.

Proposed General Fund Savings

- ◆ **County Administration Accountability**—The Budget proposes to fully fund counties for Medi-Cal eligibility workload. The Budget includes \$49.3 million (\$24.6 million



General Fund) in 2002-03 and \$33.4 million (\$16.7 million General Fund) in 2003-04 to allow counties to perform regular redeterminations. As a result, savings of \$388 million (\$194 million General Fund) will be achieved in 2003-04. Annual savings, beginning in 2004-05, are estimated to reach \$642 million (\$321 million General Fund).

- ◆ **Medi-Cal County Share-of-Cost**—The Governor's Budget proposes General Fund savings of \$1.6 billion by transferring 15 percent of Medi-Cal costs to counties along with a dedicated revenue stream. This proposal is intended to give counties the incentive to administer Medi-Cal eligibility determinations more efficiently. This proposal would not result in reduced eligibility or benefits for Medi-Cal beneficiaries (see Preserving Critical Programs section).
- ◆ **Realignment of Medi-Cal Long-Term Care**—The Governor's Budget includes General Fund savings of \$1.4 billion to reflect the transfer of fiscal responsibility for Medi-Cal long-term care services to counties, along with a dedicated revenue stream. The State would be responsible for administering services, while counties would be responsible for the costs. Oversight functions, such as licensing and complaint investigation, would remain under State control. This proposal would not result in reduced eligibility or benefits for Medi-Cal beneficiaries (see Preserving Critical Programs section).
- ◆ **1931(b) Medi-Cal Program**—The December 2002 Mid-Year Spending Reduction Proposals included a proposal to rescind the expansion of the 1931(b) Medi-Cal program, and implement the previous income standard in effect before the expansion in March 2000. This proposal would result in budget year savings of \$236 million (\$118 million General Fund). This proposal would mainly affect new applicants,



approximately 350,000 applicants in 2002-03 and 2003-04. Current beneficiaries would not be eliminated from the Medi-Cal program under this proposal.

- ◆ **Medi-Cal Quarterly Status Reports**—The December 2002 Mid-Year Spending Reduction Proposals included a proposal to reinstate the Medi-Cal quarterly status reporting requirement, resulting in budget year savings of \$170 million (\$85 million General Fund). It would also reduce the number of adults receiving Medi-Cal benefits by 193,000 in 2003-04.
- ◆ **Medi-Cal Aged and Disabled Federal Poverty Level (A&D FPL) Program**—The Budget proposes to reduce the individual A&D FPL eligibility income limit to the Supplemental Security Income/State Supplementary Payment benefit level. The Budget includes savings of \$127.6 million (\$63.8 million General Fund) as a result.
- ◆ **Second Year of Transitional Medi-Cal (TMC)**—Effective October 1, 1998, California implemented a second year of TMC for persons 19 years or older if they received the first year of federal TMC and met the income requirements. The Budget proposes to eliminate the State-only program, resulting in the retention of one year of transitional Medi-Cal coverage. This proposal will affect approximately 1,830 average monthly eligible beneficiaries. The 2003-04 savings estimate of \$2 million General Fund assumes an implementation date of October 1, 2003.
- ◆ **Optional Benefits Elimination**—Currently, Medi-Cal offers all 34 federally-optional services. Due to limited fiscal resources, the Administration proposed to eliminate eight of these services in December 2002, for savings of \$126.5 million (\$63.3 million General Fund) in 2002-03 and \$548.1 million



(\$274 million General Fund) in 2003-04. The Governor's Budget proposes to eliminate an additional ten optional benefits for 2003-04 savings of \$175.6 million (\$87.8 million General Fund). These include: (1) hospice, (2) non-emergency medical transportation, (3) optometry, (4) optician/lab services, (5) physical therapy, (6) prosthetics, (7) orthotics, (8) speech/audiology, (9) hearing aids, and (10) durable medical equipment. Pursuant to federal requirements, these benefits will still be provided to children under 21 and beneficiaries of long-term care services.

- ◆ **Provider Rate Reductions**—The 2000 Budget Act included Medi-Cal provider rate increases totaling approximately \$800 million. Given the State's current economic climate, it is necessary to reduce provider rates by 5 percent, achieving savings of \$479.3 million (\$241.9 million General Fund) in 2003-04. This reduction is in addition to the December 2002 proposed 10 percent reduction, which resulted in 2002-03 savings of \$185.3 million (\$90.4 million General Fund) and 2003-04 savings of \$948.3 million (\$478.6 million General Fund). Hospital inpatient and outpatient services, federally-qualified health clinics, and rural health clinics will be exempt from the reduction.
- ◆ **Wage Adjustment Rate Program**—The 2001 Budget Act included \$14 million (\$7 million General Fund) as a supplemental payment to long-term care facilities that have a collectively bargained agreement to increase salaries, wages, or benefits for caregivers. The regulations to implement these wage increases have not been finalized. Due to the budget shortfall, the Administration proposes to eliminate the



Program. This will result in 2002-03 savings of \$42 million (\$21 million General Fund) and \$50 million (\$25 million General Fund) in 2003-04.

Strengthening Long-Term Care

The Governor's Budget proposes \$1.6 million (\$805,000 General Fund) and 19 positions to address increased workload in the Complaint Investigation and Fingerprint Investigation units. These additional staff will work to ensure that vulnerable long-term care beneficiaries are protected from caregiver abuse and neglect. In addition, the Governor's Budget includes \$2.8 million (\$707,000 Federal Citation Penalty Account, \$2.1 million federal funds) and 29 positions to expand the Health Facility Consumer Assistance Center. The Health Facility Consumer Assistance Center improves the efficiency of nursing home complaint investigation by providing a central point for complaint receipt, prioritization, assignment to investigators, and consumer contact.

Public Health

The Budget includes the following major funding augmentations:

- ◆ **Breast Cancer**—\$1.7 million federal funds in the Breast and Cervical Cancer Control Program (BCCCP) to reflect additional federal grant funding. The Proposition 99 funding support for the BCCCP program was reduced by a similar amount, to maintain program funding at \$33.3 million in 2003-04. In addition, \$4.8 million was shifted from state operations to local assistance to align funding with new State regulations on contracting.



- ◆ **Women, Infants, and Children's (WIC) Supplemental Nutrition Program**—\$15.5 million in federal funds in the current year and \$84.4 million in the budget year for the WIC Supplemental Nutrition program. This increase will allow 24,000 additional low-income pregnant and breastfeeding women, infants, and children under five years of age to receive supplemental food, nutritional education, and referrals to health and social services.
- ◆ **Proposition 50**—The Budget includes \$112.3 million from Proposition 50, the Water Security, Clean Drinking Water, Coastal, and Beach Protection Act of 2002, for the DHS to facilitate various statewide water security improvements and to provide safe drinking water grants and loans primarily targeted at Southern California water agencies to help them reduce Colorado River water use. (See Protecting the Environment section.)
- ◆ **Public Health Caseload Program Efficiencies and Drug Rebate**—\$439,000 General Fund, \$282,000 federal funds, and 8 positions (7.3 personnel years) to provide client and provider information to contain rising expenditures in the Genetically Handicapped Persons Program (GHPP), and to develop, implement, and operate a drug rebate program for the California Children's Services and GHPP programs. Implementation of the rebate program will result in an additional \$3.6 million General Fund savings in 2003-04.
- ◆ **Low-Level Radioactive Waste**—\$1.7 million Radiation Control Fund to meet the requirements of Chapters 891 and 513, Statutes of 2002, which require enhanced monitoring and oversight of the storage and disposal of low-level radioactive waste (LLRW). Specifically, generators of LLRW will provide detailed information to the DHS concerning all LLRW



sent to disposal facilities, stored for disposal by decay, or stored for future disposal. The DHS will develop LLRW disposal facility regulations, provide outreach to industry, maintain specified information, and prepare an annual summary report.

- ◆ **Asthma Initiative**—Continued funding of \$2.8 million in reimbursements and 4 limited-term positions (3.7 personnel years) in 2003-04 for the Childhood Asthma Initiative. The initiative strives to decrease asthma morbidity and improve the quality of life of children with asthma who are less than five years old.

Proposition 99 Expenditures

Californians continue to use fewer tobacco products each year, in part as a result of the effectiveness of the Tobacco Tax and Health Protection Act of 1988 (Proposition 99). As a result, estimated revenues for 2003-04 will decline \$15.7 million. In 2003-04, total resources will be \$27.2 million, or \$338.4 million, below the 2002 Budget Act level. In addition, the AIM program is expected to increase by 41 percent, increasing Proposition 99 expenditures by \$26.8 million. As a result of declining revenues and higher expenditures in the AIM program, Proposition 99 funding to other health programs decreases, as noted below:

- ◆ **2002-03 Expenditures**—The Budget proposes expenditures of \$176.1 million to continue the base level of services for all programs, except for decreases of \$1.1 million in the Expanded Access for Primary Care (EAPC) program and \$12.4 million in the California Healthcare for Indigents Program (CHIP), and an increase of \$10.9 million in AIM.



- ◆ **2003-04 Expenditures**—The Budget proposes expenditures of \$135.4 million (\$77.3 million DHS and \$58.1 million realignment) for DHS Proposition 99-funded programs. Funding for health programs decline by an average of 9.2 percent, with three exceptions—the Comprehensive Perinatal Outreach, the Breast Cancer Early Detection programs, and State administration. The Comprehensive Perinatal Outreach program, a discretionary program, was eliminated consistent with other outreach reductions, resulting in a savings of \$1.3 million. The Breast Cancer Early Detection Program was reduced by 10 percent, or \$1.7 million, to match a similar increase in federal grant funding. The program will remain at its current total funding of \$33.3 million in 2003-04. State administration was reduced by 14 percent, or \$1.4 million, in recognition of smaller programs requiring less administration.
 - ◇ \$16.1 million is proposed for the anti-tobacco media campaign in 2003-04 as part of the total \$68.3 million Proposition 99-funded effort to reduce tobacco use.
 - ◇ \$58.1 million will be transferred to the counties to support EAPC, CHIP, and County Health Services, which are proposed to be realigned.

Other Public Health Adjustments

- ◆ **HIV/AIDS Program Reductions and Implementation of Co-Payments**—The Budget maintains the Administration's commitment to fighting the AIDS epidemic by providing \$293.5 million (\$124.8 million General Fund) for HIV/AIDS prevention, education, and care and treatment programs. The Budget proposes an increase of \$8.3 million General Fund to



the AIDS Drug Assistance Program (ADAP). The Budget also proposes a drug co-payment be charged to ADAP recipients with incomes between 200 and 400 percent of the FPL. Recipients with average annual incomes between \$21,643 and \$30,233 will pay approximately \$1,299 to \$1,814 annually for the life-sustaining drugs provided by ADAP.

- ◆ **Consolidation of Emergency Medical Services Authority into the DHS**—The Budget proposes the consolidation of the Emergency Medical Services Authority into the DHS in order to provide program savings and greater efficiencies. Under this proposal, the DHS will provide the statewide coordination of emergency medical services (EMS), regulate the education, training, and certification of EMS personnel, develop guidelines for local emergency medical services, and coordinate the State's medical response to any disaster.
- ◆ **Cancer Research**—The December 2002 package included a proposal to reduce expenditures for cancer research, for General Fund savings of \$6.3 million in 2002-03. The Budget further proposes to eliminate State-funded cancer research as existing research contracts expire. This will capture General Fund savings of \$12.5 million in 2003-04.
- ◆ **Prostate Cancer**—The December 2002 package included a proposal to reduce funding for the Prostate Cancer Treatment Program for General Fund savings of \$10 million in 2002-03, due to lower than anticipated participation in the program. The Budget proposes to further reduce funding by another \$5 million for a total General Fund reduction of \$15 million in the budget year.



- ◆ **Outreach and Media Activities**—The Budget eliminates a number of outreach and media campaigns to preserve General Fund resources for treatment programs and other direct services, resulting in savings of \$11.8 million. Most of the outreach information is available through other resources, including the news media, federal programs, public service announcements, and online information maintained by the DHS.
- ◆ **Healthy Communities Realignment**—The Budget proposes to transfer program responsibility and funding for a number of public health programs to counties. These programs will continue to draw matching federal funds and \$58.1 million in Proposition 99 funding. The current funding level for the public health programs being realigned is approximately \$143.4 million (\$66.6 million General Fund). The shift of funding and program responsibility will allow local governments to determine priorities and needs while maintaining the same funding level in 2003-04.

Managed Risk Medical Insurance Board

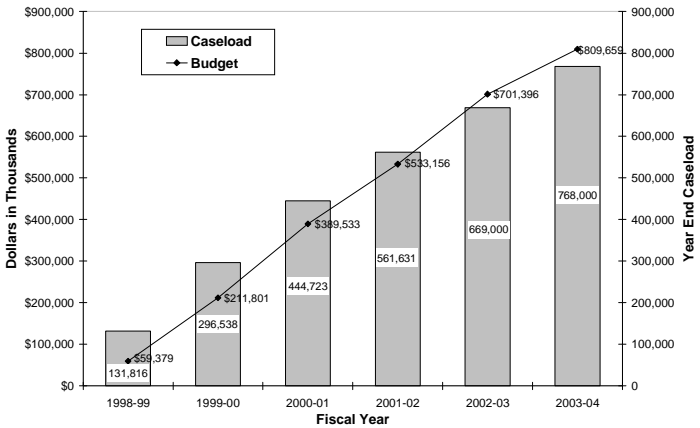
Healthy Families Program (HFP)—Since 1998-99, HFP caseload has grown from about 132,000 to an expected 669,000 children by June 30, 2003, and 768,000 in 2003-04 for a total increase of 636,000 children, or 482 percent.

HFP expenditures for the Managed Risk Medical Insurance Board (MRMIB) grew from \$211.8 million (\$76.2 million State funding) in 1999-00 to \$809.7 million (\$303.6 million State funding) in 2003-04, an increase of \$227.4 million State funding, or 298 percent.



FIGURE HHS-1

**Managed Risk Medical Insurance Board
Healthy Families Program Local Assistance Funding**



The Budget reflects the following significant changes for the HFP:

- ◆ Due to the continuing economic downturn, the Administration is proposing to delay implementation of the HFP Parents Expansion until July 2006. This will allow the State to maintain HFP coverage for all eligible children.
- ◆ In order to maintain sufficient resources for the ongoing HFP caseload, the Budget proposes to discontinue the Rural Health Demonstration Project (RHDP) in 2003-04. The 2002 Budget Act included \$4.8 million (\$1.7 million State funding) in the MRMIB and \$3 million in the DHS for the RHDP.



Access for Infants and Mothers (AIM)—This program provides comprehensive care to pregnant women up to 60 days post-partum and their infants up to two years of age with family incomes between 200 and 300 percent of the federal poverty level (FPL). The Budget includes a total of \$117.5 million (\$97.3 million Perinatal Insurance Fund) for this program, an increase of \$33.5 million (\$25.7 million Perinatal Insurance Fund) above the 2002 Budget Act. This funding increase will be used to provide coverage to an additional 2,800 women and 23,100 children. A total of 9,530 women and 138,240 infants are expected to enroll in this program in 2003-04.

Child Development Policy Advisory Committee

The Administration proposes legislation to eliminate the Child Development Policy Advisory Committee effective July 1, 2003, for ongoing savings of approximately \$625,000 (\$367,000 General Fund). Eliminating the Committee is consistent with the Administration's proposal to transfer Department of Education child care programs to counties under State-Local Program Realignment.

Department of Community Services and Development

Consolidation of the Department of Community Services and Development (DCSD) into the Department of Social Services (DSS)—The Budget proposes the consolidation of the DCSD into the DSS in order to improve program efficiency and effectiveness. The consolidation would result in a shift of \$155.1 million and 113.2 positions to the DSS. In addition, nine DCSD positions will



be eliminated and \$922,000 in federal funds will be shifted from State administration to local assistance for allocation to local Low-Income Home Energy Assistance Program and Community Services Block Grant service providers. These programs will be coordinated with other DSS programs which assist low-income families.

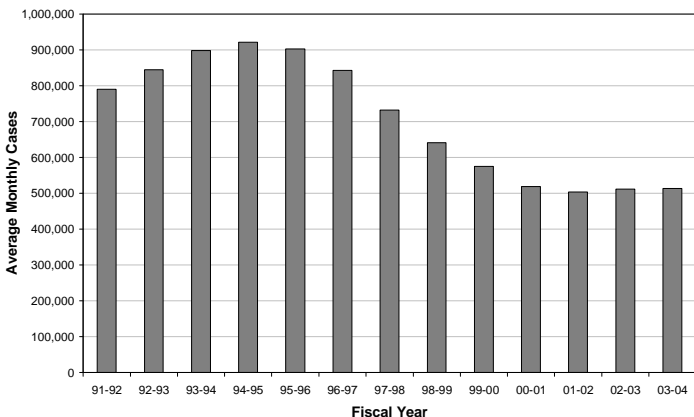
Department of Social Services

California Work Opportunity and Responsibility to Kids

The Budget includes total California Work Opportunity and Responsibility to Kids (CalWORKs) expenditures of \$6.7 billion, which includes \$5.8 billion for direct CalWORKs program expenditures, \$598 million in other programs, and \$200 million for a CalWORKs program reserve. Other programs include the

FIGURE HHS-2

CalWORKs Caseload 1991-92 through 2003-04



Statewide Automated Welfare System, Child Welfare Services, California Community Colleges education services, Department of Child Support Services disregard payments, and non-CalWORKs child care.

- ◆ **Program Successes**—California has experienced significant success with its CalWORKs program. The number of aid recipients who are employed has increased from 19 percent in 1996, to 49 percent in 2001. The average monthly wage for aided families has grown from \$596 prior to CalWORKs to \$815 in 2001. Caseload reductions have occurred in every county. To date, the State has received over \$140 million in federal bonuses for its successful operation of the CalWORKs program as compared to other states.
- ◆ **Caseload Trends**—Caseload growth is continuing to flatten after many consecutive years of decline. The revised caseload projections are 511,000 cases in 2002-03, and 514,000 cases in 2003-04. This represents a major improvement from the rapid growth of the early 1990s, when caseload peaked in 1994-95 at 921,000 cases. Policy reforms that promote self-sufficiency and encourage job skills training, along with increased child care services, financial incentives encouraging work, and until recently, an improved private sector economy, have assisted recipients and potential recipients in finding employment.
- ◆ **Grant Levels**—Consistent with the reduction to the Supplemental Security Income/State Supplementary Payment grant, CalWORKs cash grants will be reduced by approximately 6 percent from the level in the 2002 Budget Act. However, as discussed below, increased funding for employment services will be provided so that recipients can continue to move toward employment. The monthly cash grant for a family of



three would decrease to \$637 in Region I and \$607 in Region II. This grant level will allow a family of three living in Region I to earn up to \$1,499 per month before its grant would be reduced to zero. In addition to the grant amount, the family typically would be eligible for employment services, child care, food stamps, and Medi-Cal. The reduction in the cash grant allows \$65.7 million in Temporary Assistance for Needy Families (TANF) funds to be transferred to the federal Title XX Block Grant in order to offset General Fund costs within the Department of Developmental Services.

- ◆ **CalWORKs Employment Services**—The Budget provides a one-time augmentation of \$241.5 million for employment services. This funding will enable counties to provide services tailored to their individual needs to move CalWORKs recipients from welfare to work. In addition, as discussed in the Preserving Critical Programs section, CalWORKs administration and employment services are proposed for realignment in 2003-04. Under this proposal, counties would be given a 50 percent share-of-cost for administration and employment services, totaling \$543.7 million, along with a dedicated revenue stream.
- ◆ **CalWORKs Child Care**—The Budget funds the projected need for child care for CalWORKs recipients. Funding is included in the DSS budget for Stage I child care, in which counties initially place CalWORKs families and continue to provide services until their financial condition stabilizes. Realignment funding will be provided to counties for families whose financial condition has stabilized, thus allowing them to be moved out of Stage I child care.



- ◆ **Total TANF Reserve**—The Budget includes a \$200 million TANF reserve to be available for unanticipated needs. A reserve of this magnitude is needed to mitigate the impact of several CalWORKs program pressures, including the reauthorization of the federal TANF program. While Congress and the President will consider several key policy changes, federal legislation for reauthorization introduced to date would significantly increase the work participation rates, which could require substantial investments in employment services.

Supplemental Security Income/State Supplementary Payment Program

Total General Fund expenditures for the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program are projected to be over \$2.3 billion, a decrease of \$741 million, or 24.2 percent, from the 2002-03 projected level. Program caseload is estimated to increase to 1.1 million recipients in 2003-04, a 0.7 percent increase over the 2002-03 projected level.

Given the State's current fiscal constraints, the Administration proposes that the June 2003 and January 2004 State cost-of-living adjustments (COLAs) be suspended. In addition, it is proposed that, effective July 2003, the SSI/SSP grant payment standards be reduced to the federally-required maintenance-of-effort level. The combined SSI/SSP grant will be reduced to \$708 for an individual and \$1,225 for a couple, a reduction of \$49 and \$119, respectively.

In January 2004, a 2.4 percent federal COLA will be provided, increasing monthly grants for aged/disabled recipients by \$14 to \$722 for an individual and by \$19 to \$1,244 for a couple. The monthly grants for blind recipients will increase by \$14 to \$777 for an individual and by \$19 to \$1,391 for a couple.



In-Home Supportive Services

The revised 2002-03 Budget includes \$2.8 million General Fund to provide an average 16 percent increase in the current Maximum Allowable Contract Rates for that mode of service delivery effective July 2002. In addition, the revised Budget includes \$20.5 million General Fund to provide funding for a \$1 per hour increase, effective July 2002, in the maximum rate in which the State shares in Public Authority In-Home Supportive Services (IHSS) provider wage and benefit costs. This increase, required by current law, has raised wages and benefits from \$9.10 per hour to \$10.10 per hour.

Adoptions

Independent Adoption Program (IAP) Elimination—In order to protect other vital programs, the Administration proposes legislation to eliminate the IAP in 2003-04 for a General Fund savings of \$2.8 million. The proposal assumes that no new applications will be accepted after March 31, 2003. Services similar to the ones provided under the IAP are available through private adoption agencies.

Programs Proposed for State-Local Realignment

The 2003-04 Budget proposes to realign a number of social services programs to the counties, along with a dedicated revenue stream. The programs within DSS proposed for realignment and associated General Fund savings are as follows:

In-Home Supportive Services—\$1.2 billion General Fund savings. The IHSS program provides support services, such as house cleaning, transportation, personal care services, and respite care to eligible, low-income aged, blind, and disabled persons.



These services are provided in an effort to allow individuals to remain safely in their homes and prevent premature institutionalization.

Cash Assistance Program for Immigrants (CAPI)—\$95.3 million General Fund savings. The CAPI is a cash-benefit program for documented immigrants who are ineligible for the SSI/SSP program due to their immigration status.

Food Assistance Programs—\$282.6 million General Fund savings. Savings include \$268.1 million from shifting the State share of administration of the federal Food Stamp Program, and \$14.5 million from the California Food Assistance Program (CFAP) realignment. The CFAP provides food assistance to documented persons who are not eligible for the federal program solely because of their immigration status.

Adult Protective Services (APS)—\$60.8 million General Fund savings. The APS is a county-administered program that investigates abuse, neglect, or exploitation of elderly or dependent adults.

Child Abuse Prevention, Intervention, and Treatment (CAPIT)—\$13.4 million General Fund savings. This program provides prevention and intervention services for children at risk of abuse or neglect.

Foster Care—\$494.2 million General Fund savings. The total savings includes \$34.1 million from shifting the State share of administration of the program, and \$460.1 million from realigning the State share-of-cost for grant payments.

Child Welfare Services (CWS)—\$596.3 million General Fund savings. The CWS program provides a variety of emergency, in-home care services for abused and neglected children and their families, including child protective services.



Adoption Assistance Program (AAP)—\$217 million General Fund savings. This program provides financial assistance to families adopting children with special needs, who otherwise would remain in foster care.

CalWORKs—\$543.7 million General Fund savings from implementing a 50 percent county share-of-cost in CalWORKs Employment Services and Administration. CalWORKs provides temporary cash assistance, employment services, and child care to needy families to assist them in moving off welfare.

Kinship Guardianship Assistance Payment Program (Kin-GAP)—\$18.6 million General Fund savings as a result of shifting the Kin-GAP Program to counties. The Kin-GAP Program provides foster care grants to relative caregivers who assume guardianship of foster children.

Department of Developmental Services

The 2003-04 Budget includes \$3.2 billion (\$2 billion General Fund), an increase of \$354 million (\$142.5 million General Fund) above the 2002 Budget Act for programs serving persons with developmental disabilities. This increase reflects an additional 10,800 consumers for a total caseload of 196,700.

Regional Centers

The Governor's Budget includes a net increase of \$321 million (\$121 million General Fund) for 2003-04 due to increased caseload, higher service utilization rates, and program modifications. The regional center population is projected to increase by 10,870 consumers, to a total of 193,100. Major program changes include:



- ◆ **Regional Center Purchase of Service**—A reduction of \$100 million General Fund through the implementation of statewide purchase of service standards across the 21 regional centers.
- ◆ **Maximizing Federal Funds**—A reduction of \$92.1 million General Fund and a commensurate increase in federal reimbursement as a result of the Department's continuing efforts to maximize federal financial participation.
- ◆ **Transfer of Title XX Grant Fund to Regional Centers**—\$65.7 million General Fund savings to reflect a shift of Title XX funding to regional centers.
- ◆ **Implementing a Parental Co-Payment**—An increase in General Fund revenues of \$31.6 million resulting from the implementation of a proposal requiring parents to share in the cost of providing services to their children.
- ◆ **Aligning State and Federal Eligibility Definitions**—A \$2.1 million General Fund reduction by redefining the State's definition of "substantial disability," which is used to determine whether individuals are eligible for service. The redefinition will align the State and federal definitions, requiring limitations in three of the seven major life activity domains in order to establish eligibility. The revised definition would be applied prospectively so that those currently receiving services would not be affected.
- ◆ **Transfer of Habilitation Services Program (HSP)**—An increase of \$115.4 million General Fund and 18 positions to reflect the cost of transferring the HSP from the Department of Rehabilitation (DOR). The transfer will result in more efficient delivery of services to consumers with developmental disabilities.



Developmental Centers

The developmental center budget includes a net increase of \$27 million (\$17.8 million General Fund) as the result of increased staffing costs. The developmental center population is projected to decrease by 70 consumers from 3,660 to 3,590.

Bay Area Project, Agnews Assessment—The Administration proposes to close Agnews Developmental Center by July 2005. The Department will establish a planning team to assess consumer needs and identify additional resources necessary to successfully move current Agnews' consumers into community placements or other developmental centers, as appropriate. These efforts will result in services being provided in less restrictive settings as well as future savings of \$25 million (\$14 million General Fund) due to the lower cost of care resulting from the elimination of the significant fixed cost of operating the aging Agnews facility.

Department of Mental Health

The Governor's Budget includes \$2.3 billion (\$786.8 million General Fund), a net increase of \$206.8 million (a reduction of \$33.4 million General Fund) above the 2002 Budget Act for state hospitals and community mental health programs.

State Hospitals—The Governor's Budget includes \$660.4 million (\$513.4 million General Fund), a net increase of \$71.6 million (\$62.3 million General Fund) above the 2002 Budget Act for state hospitals. This funding level will support a total caseload of 4,800 state hospital commitments.

Community Mental Health Services—The Budget includes \$1.6 billion (\$224.3 million General Fund), a net increase of \$131.9 million in total funds, and a reduction of \$95.9 million



General Fund compared to the 2002 Budget Act for community mental health services. The following significant adjustments are included in the 2003-04 Budget:

- ◆ A General Fund savings of \$74.9 million as a result of the realignment of the Integrated Services for the Homeless and the Children's System of Care programs. (See Preserving Critical Programs section.) Under realignment, counties will be provided with a dedicated revenue source to support these and other programs proposed to be realigned to counties. Realignment will give counties greater flexibility in the program administration and use of these funds.
- ◆ An increase of \$230.4 million in reimbursements for the Early and Periodic Screening, Diagnosis, and Treatment services. The full effect of cost control measures implemented in the 2002-03 Budget will not be known until the 2004-05 fiscal year and the revised methodology assumes a smaller growth rate.
- ◆ An increase of \$34 million (\$17 million General Fund) for local mental health plans to reflect caseload growth and ensure compliance with new federal regulations governing operation of the Medicaid managed care program.
- ◆ Elimination of the Early Mental Health Services program to achieve General Fund savings of \$15 million.
- ◆ A 10 percent rate reduction to mental health managed care that will result in a \$46 million (\$23 million General Fund) savings.



Department of Alcohol and Drug Programs

The Budget includes \$483.1 million (\$5.6 million General Fund), a decrease of \$94.6 million (\$231.1 million General Fund) below the 2002 Budget Act for substance abuse treatment programs.

Realignment—The 2003-04 Budget proposes to realign multiple alcohol and drug programs, including Drug Medi-Cal services, drug court programs, Proposition 36 funding, and non-Medi-Cal alcohol and other drug services (See Preserving Critical Programs section.) Under realignment, counties will be provided with a dedicated local revenue source to support these programs. Realignment will give counties greater flexibility in the use of these funds and in the administration of alcohol and drug programs.

Drug Medi-Cal Caseload—Current year costs will decrease by \$7.6 million (\$3.8 million General Fund) compared to the 2002 Budget Act as a result of changes in caseload, lower costs for specified services, and a change in the types of services utilized. The 2003-04 caseload is projected to be 71,300 clients. Budget year program expenditures are estimated to decrease by \$2.6 million compared to the 2002 Budget Act.

State Incentive Grant—The Department has received a \$4 million federal grant award to implement science-based prevention programs and practices targeting binge drinking among 12-25 year old youth and young adults.



Emergency Medical Services Authority

Consolidation of Emergency Medical Services Authority (EMSA) into the DHS—The Administration proposes legislation to consolidate the EMSA into the DHS, effective July 1, 2003. The consolidation will result in savings of \$342,000 (\$138,000 General Fund) and the elimination of 5 positions.

Department of Rehabilitation

Habilitation Services Program (HSP)—To improve service to developmentally disabled persons, the Budget proposes the transfer of the HSP to the Department of Developmental Services (DDS) for consolidation within the Regional Centers. The clients served in the HSP are DDS clients, and consolidation would ensure more efficient service delivery and eliminate the duplicative administrative costs for the program, resulting in a net General Fund savings of \$1.5 million and 11 positions.

Work Activity Program (WAP) and Supported Employment Program (SEP)—The Budget includes a decrease of \$2.1 million (\$1.5 million General Fund) in 2002-03 and \$8.8 million (\$6.3 million General Fund) in 2003-04 to reflect a 5 percent reduction in provider rates for the WAP and SEP programs, as proposed in the December 2002 package. In conjunction with the rate reduction, the Administration has also proposed the suspension of the statutory WAP rate adjustment to avoid costs of \$16.9 million (\$12.3 million General Fund).



Office of Statewide Health Planning and Development

Family Physician Training Program (FPTP)—To provide an ongoing, stable funding source for the FPTP, the Administration proposes legislation to establish a surcharge on various medical licenses. The fee revenue would offset approximately \$4.5 million General Fund that supports the administration and operation of the program. The FPTP provides support to medical training institutes for the expansion of family practice resident, primary care physician assistant, osteopathic family physician, and primary care nurse practitioner residency programs.

Department of Child Support Services

Chapters 478 and 480, Statutes of 1999, established the Department of Child Support Services (DCSS) and authorized the implementation of a single statewide child support system comprised of local child support agencies under the supervision of the new Department. The Budget proposes approximately \$1.2 billion (\$470.2 million General Fund) and 245.3 personnel years for state operations and local assistance.

Child Support Collections—In 2003-04, the DCSS estimates total collections of over \$2.3 billion, including payments to families and collections made in California on behalf of other states. The General Fund share for assistance collections, which is included in statewide revenue projections, is estimated at \$320.2 million in 2003-04.



County Administration—The Budget proposes \$231.2 million General Fund for local agency administrative costs. This funding level reflects a maintenance of the prior year expenditure levels, adjusted for costs that will not recur.

Child Support Automation—Chapter 479, Statutes of 1999, designated the Franchise Tax Board as the agent of the DCSS for the procurement, development, implementation, and maintenance and operation of the California Child Support Automation System. The State is responsible for all costs associated with developing, implementing, and transitioning all counties onto this new system. In 2002-03, California will pay an estimated \$188.2 million General Fund in federal penalties, as a result of California's delay in implementing a single, statewide-automated system, an increase of \$98.5 million above the current year. The Administration proposes legislation that requires a 25 percent county share of the increased penalty, which would offset \$51.8 million in General Fund costs.

Department of Aging

Long-Term Care Ombudsman Program—The Administration continues to demonstrate strong support for nursing home residents, through the Long-Term Care Consumer Protection Initiative, by providing additional funding to expand the Long-Term Care Ombudsman Program. The Budget reflects an increase of \$3.3 million (\$2.3 million Federal Citation Penalties Account, Special Deposit Fund). This will enable the Long-Term Care Ombudsman Program to fund part-time staff members to oversee an additional 650 volunteer resident advocates in long-term care facilities.

